

FUTURE CORPORATE RESOURCES LIMITED

To
Mr. Amit Tandon
Deputy General Manager,
Corporation Finance Department,
Securities and Exchange Board of India,
SEBI Bhavan, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.

Date: 25 August 2014

Dear Sir,

Subject: Request for an Informal Guidance by way of an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (the “**Informal Guidance Scheme**”) in connection with proposed *inter se* transfer of shares between promoters pursuant to Regulation 10(1)(a)(ii) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“**Takeover Regulations**”).

A. BACKGROUND

1. The persons relevant to this application (in alphabetical order) are as follows:

S. No.	Name	Description
1.	Future Consumer Enterprise Limited (formerly known as - Future Ventures India Limited) (“ FCEL ”)	i. Public limited company incorporated on 10 July 1996. ii. Shareholding pattern annexed at Annexure I.
2.	Future Corporate Resources Limited (“ Proposed Acquirer ”)	i. Unlisted public limited company incorporated on 19 October 2005. ii. A promoter of the Target Company.
3.	Future Lifestyle Fashions Limited (the “ Target Company ”)	i. Public limited company incorporated on 30 May, 2012. ii. Shares listed on Bombay Stock Exchange (“ BSE ”) and National Stock Exchange of India Limited (“ NSE ”). iii. Promoter shareholding = 52.07% includes: a. Proposed Acquirer holds 17.35% of its shares; and b. Proposed Transferor holds 17.95% of its shares. iv. Shareholding pattern annexed at Annexure II.



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S. No.	Name	Description
4.	Future Retail Limited (“FRL” or the “Proposed Transferor”) (formerly known as – Pantaloon Retail (India) Limited).	i. Public limited company incorporated on 12 October 1987. ii. Shares listed on Bombay Stock Exchange (“BSE”) and National Stock Exchange of India Limited (“NSE”). iii. A promoter of the Target Company. iv. Shareholding pattern annexed at Annexure III which has been divided into the following two categories: (a) Annexure IIIA: This provides the shareholding pattern of the normal equity shares of FRL; and (b) Annexure IIIB: This provides the shareholding pattern of Class B (Series 1) shares of FRL.

The Demerger

2. Until 1 October 2013, the Target Company was unlisted. Pursuant to a demerger (the “Demerger”), which was effective from 29 May 2013, the lifestyle fashion businesses of FRL and FCEL was demerged into the Target Company. A copy of the order of the Bombay High Court sanctioning the Demerger is attached as Annexure IV.
3. As both FCEL and FRL (the demerged companies) were listed at the time of the Demerger, the shares of the Target Company were listed on BSE and NSE on 1 October 2013 pursuant to Rule 19(7) of Securities Contracts (Regulations) Rules, 1957.
4. As consideration for the Demerger, the Target Company issued shares to the shareholders of FRL and FCEL as under:
 - a. One fully paid equity share of the Target Company issued and allotted for every three equity shares held in FRL;
 - b. One fully paid equity share of the Target Company issued and allotted for every three Class B (series 1) shares held in FRL;
 - c. One fully paid equity share of the Target Company issued and allotted for every thirty one equity shares held in FCEL.

Three-Year Holding/ Disclosure condition to the exemption

5. The Target Company was incorporated on 30 May 2012 as a step down subsidiary of the Proposed Transferor. In November 2012, the Proposed Transferor acquired existing shares of the Target Company and made it a direct wholly owned subsidiary. The Proposed Transferor acquired further shares in the Target Company before the Demerger. Proposed Transferor has also held shares in, and been disclosed as a promoter of, FCEL for longer than three years before the Demerger. Pursuant to the Demerger, the Proposed Transferor was allotted additional shares in the Target Company by virtue of its shareholding in FCEL. In the Information Memorandum

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submitted for listing of the shares of the Target Company as well as after the listing of the Target Company, the Proposed Transferor has been continuously disclosed as its promoter.

6. The Proposed Acquirer had held shares in, and had been disclosed as a promoter of, both FRL and FCEL for longer than three years before the Demerger. Pursuant to the Demerger, the Proposed Acquirer was allotted shares in the Target Company by virtue of these shares in FRL and FCEL. In the Information Memorandum submitted for listing of shares of Target Company as well as after the listing of the Target Company, Proposed Acquirer has also been continuously disclosed as its promoter.

Proposed Acquisition

7. The Proposed Transferor would like to execute *inter se* transfer of up to 3,05,70,108 (three crore five lakh seventy thousand one hundred eight) shares constituting 17.95% of the Target Company's shares to the Proposed Acquirer ("**Proposed Transfer**").
8. This request for informal guidance is being made to obtain an interpretative letter for the Proposed Transfer on the basis that it is entitled to an exemption under regulation 10(1)(a)(ii) of the Takeover Regulations.

B. LEGAL FRAMEWORK

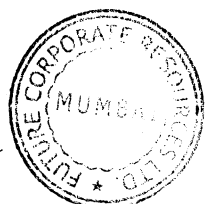
The requirement to make an open offer and exemptions

1. Regulation 3(1) and Regulation 3(2) of the Takeover Regulations provide that no acquirer shall acquire shares or voting rights in excess of the thresholds respectively mentioned in those provisions unless such acquirer makes an open offer. Regulation 4 of the Takeover Regulations provides that no acquirer shall, directly or indirectly, acquire control over the target company unless the acquirer makes an open offer.
2. Regulation 10 of the Takeover Regulations exempts certain acquisitions from the aforesaid obligations of making an open offer, subject to certain conditions stipulated therein.
3. Regulation 10(1)(a)(ii) of the Takeover Regulations is reproduced as below:

"10. (1) The following acquisitions shall be exempt from the obligation to make an open offer under regulation 3 and regulation 4 subject to fulfilment of the conditions stipulated therefor,—

(a) acquisition pursuant to inter se transfer of shares amongst qualifying persons, being,—

...



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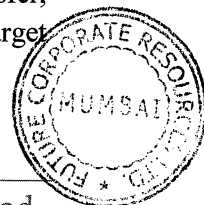
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(ii) persons named as promoters in the shareholding pattern filed by the target company in terms of the listing agreement or these regulations for not less than three years prior to the proposed acquisition;...”

C. Submissions:

1. In the following letters issued under the Informal Guidance Scheme, credit has been given to acquirers and sellers for their holdings in demerged companies in determining eligibility under regulation 10(1)(a)(ii) of the Takeover Regulations or Regulation 3(1)(e)(iii)(b) of the erstwhile SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:
 - a. SEBI response dated October 25, 2012 (CFD/PC/IG/CB/23756/12) issued to M/s Weizmann Forex Limited;
 - b. SEBI response dated December 4, 2008 (CFD/DCR/IG/SKM/146462/2008) to Forbes & Company Ltd.
2. Further, guidance can be drawn from other legislations like the Income Tax Act, 1961, where the demerger is looked through and the period of holding of shares in the demerged company is taken into account for determination of short term or long term capital gains when a transferor proposes to sell shares of the resultant entity to a third party.
3. The Proposed Transferor, which is itself a listed company, has a very high level of debt. The Proposed Transferor has taken various initiatives to reduce its debt and deleverage its balance sheet. Its promoter group (who are also the promoters/form part of the promoter group of the Target Company) are desirous of supporting FRL's debt reduction initiatives by acquiring a non-core asset (*viz.*, the shares of the Target Company). Sale of investment by FRL could help reduce debt in a time efficient manner.
4. As required under *proviso* (ii) to Regulation 10(1)(a) of the Takeover Regulations, the Proposed Acquirer and Proposed Transferor have complied with all applicable disclosure requirements as mandated under Chapter V of the Takeover Regulations. Further, the Proposed Acquirer and (where relevant) the Proposed Transferor will comply with all other conditions for gaining eligibility of the exemption under Regulation 10(1)(a)(ii) of the Takeover Regulations as follows:
 - a. Pursuant to Regulation 10(5) of Takeover Regulations, the Proposed Acquirer shall provide prior intimation to both NSE and BSE at least four working days prior to the Proposed Transfer;
 - b. As per *proviso* (i) to Regulation 10(1)(a), the acquisition price shall not be higher by more than 25% of the volume-weighted average market price for a period of sixty trading days preceding the date of issuance of notice as provided in (a) above for the Proposed Transfer, as traded on the stock exchange where maximum volume of trading in shares of Target Company is recorded during such period;



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- c. Pursuant to Regulation 10(6) of Takeover Regulations, the Proposed Acquirer shall file a report with the NSE and BSE, not later than four working days from the Proposed Transfer; and,
 - d. Pursuant to Regulation 10(7) of Takeover Regulations, the Proposed Acquirer shall submit a report with SEBI along with relevant supporting documents, and a non-refundable fee of Rs. 25,000, within twenty one working days of the date of the Proposed Transfer.
5. There will be no change of control over the Target Company pursuant to the Proposed Transfer.
 6. The public shareholding in the Target Company will not be adversely affected by the Proposed Transfer as this will be an *inter se* transfer between two promoter group companies. Annexure V provides the post-shareholding pattern of the Target Company pursuant to the Proposed Transfer.

D. REQUEST FOR INTERPRETATIVE LETTER

In light of the above facts and submissions, the Proposed Acquirer requests SEBI to issue an interpretative letter confirming that the Proposed Transfer, in the manner set out above, is exempted under Regulation 10(1)(a)(ii) of the Takeover Regulations.

E. REQUEST FOR CONFIDENTIALITY

The Proposed Acquirer requests that this letter and its contents be kept confidential for the maximum period possible, i.e. until 90 days after the response to this letter has been tendered.

F. COMPLIANCE WITH PARAGRAPH 6 OF THE INFORMAL GUIDANCE SCHEME

1. Please note that this application is in form of an amendment to the original application dated 17 July 2014 filed by PIL Industries Limited with SEBI. A demand draft with dated 08 August 2014 drawn on Oriental Bank of Commerce for Rs. 25,000/- had been submitted in favour of SEBI by PIL Industries Limited. Thus, this being an amendment application, no fresh demand draft is being submitted in connection with the same. However, we are willing to furnish a fresh draft, if SEBI instructs us to do so.
2. All material facts, circumstances and legal provisions which, in our opinion, are relevant for the purposes of determination of this request are stated herein.

The Proposed Acquirer is pleased to furnish any additional information as may be required in support of this application for informal guidance in the form of an interpretative letter.



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Any request for further information may be addressed to:

Mr. Sanjay Rathi

Authorised Signatory

Knowledge House, Shyam Nagar,
off Jogeshwari Vikhroli Link Road,
Jogeshwari (East), Mumbai 400060.

Phone: +91-22-61994025.

Fax: +91-22-61994647.

Yours sincerely,

For **Future Corporate Resources Limited**

Niemoh Saman

Director / Authorized Signatory



Encl:

1. **Annexure I:** Shareholding pattern of FCEL.
2. **Annexure II:** Shareholding pattern of the Target Company.
3. **Annexure III:** Shareholding pattern of Proposed Transferor divided into the following categories:
 - a. **Annexure IIIA:** Shareholding pattern of the normal equity shares of Proposed Transferor;
 - b. **Annexure IIIB:** Shareholding pattern of Class B (Series 1) shares of the Proposed Transferor.
4. **Annexure IV:** Copy of Bombay High Court sanctioning the Demerger.
5. **Annexure V:** Post shareholding pattern of the Target Company (assuming transfer of all shares as applied in this application).